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S E C R E T SECTION 01 OF 02 ZAGREB 000331

SIPDIS

CINCUSNAVEUR LONDON UK//N22/N2//  
USCINCEUR VAINHINGEN GE// ECJ2-HSE/ECSD-J2

E.O. 12958: DECL: 02/24/2014

TAGS: [PREL](#) [MARR](#) [LY](#) [HR](#)

SUBJECT: CROATIA KEEPS PUSHING ON LIBYA SHIP REFIT

REF: A. A) SECDEF DTG 121648Z FEB 04

[B](#). B) MOON-ENGLISH E-MAIL 2/23/04

[C](#). C) ZAGREB 0071

[D](#). D) 03 STATE 331261

[E](#). E) 01 ZAGREB DAO IIR 6 933 0002 02

CLASSIFIED BY: DCM PATRICK MOON, REASONS 1.5 (B) & (D)

SUMMARY AND COMMENT:

[1](#). (C) AS A FOLLOW ON THE PRESIDENT MESIC RAISING POTENTIAL LIBYAN SHIP REFIT CONTRACTS WITH SECRETARY RUMSFELD (REF A), PRESIDENTIAL FOREIGN POLICY ADVISOR MASTRUKO PROVIDED US ADDITIONAL DETAILS OF THE PROPOSED SCOPE OF THIS \$120 MILLION PROJECT (REF B). THE \$120 MILLION CONTRACT INCLUDES \$7.5 MILLION FOR REFIT OF THE AL-MUNJED DIVER SUPPORT SHIP AND 15 OTHER OVERHAUL OR SHIP CONSTRUCTION PROJECTS IN CROATIAN SHIPYARDS. HOWEVER, WORK ON THE OTHER PROJECTS IS CONTINGENT ON THE REFIT OF THE AL-MUNJED.

[2](#). (C) GIVEN THE IMPORTANCE OF SUCH A LARGE CONTRACT TO CROATIAN SHIPYARDS, WE EXPECT THE CROATIANS TO CONTINUE TO PRESS US ON THIS PROJECT, ESPECIALLY AS U.S. AND EUROPEAN TIES IMPROVE WITH LIBYA. END SUMMARY AND COMMENT.

DETAILS OF WORK ON LIBYAN SHIPS EMERGES

[3](#). (C) DURING SECRETARY RUMSFELD,S VISIT ON FEBRUARY 8, PRESIDENT MESIC ASKED THAT THE U.S. DROP ITS OBJECTIONS TO CROATIAN SHIPYARD WORK ON LIBYAN VESSELS. IN RESPONSE TO OUR REQUEST FOR ADDITIONAL INFORMATION ON THE REPORTED \$120 MILLION CONTRACT, MESIC,S FOREIGN POLICY ADVISOR, AMBASSADOR IVICA MASTRUKO, PROVIDED US ON FEBRUARY 23 A NOTE ON POTENTIAL LIBYAN SHIP OVERHAUL AND CONSTRUCTION PROJECTS. THE NOTE WAS DRAFTED BY THE MARITIME DIVISION OF THE CROATIAN GENERAL CONTRACTING FIRM INGRA (INFORMAL TRANSLATION SENT TO DEPARTMENT IN REF B).

[4](#). (SBU) THE INGRA NOTE ADVISED THAT THE \$120 MILLION CONTRACT INCLUDED:

-- OVERHAUL OF THE AL MUNKHED SALVAGE SHIP -- \$7.5 MILLION  
-- OVERHAUL OF THE RO-RO SHIP -- \$10.5 MILLION  
-- OVERHAUL OF COAST GUARD SHIPS (8 UNITS) -) \$65.5 MILLION  
-- BUILDING SHIPS FOR THE CUSTOMS AND MARITIME POLICE (6 UNITS) -- \$36 MILLION

FURTHER, THE NOTE ADVISED THAT WORK ON THE OTHER PROJECTS WAS CONTINGENT ON OVERHAUL OF THE AL-MUNKHED SALVAGE SHIP. (THE AL-MUNKHED SALVAGE SHIP IS THE AL-MUNJED DIVER SUPPORT SHIP REFERRED TO IN REFS C AND D.) THE NOTE FROM INGRA GOES ON TO ASSERT: &SHIPBUILDING EXPERTS ARE WELL AWARE THAT THE LIBYAN NAVY COOPERATES WITH MOST EUROPEAN COUNTRIES, ESPECIALLY WITH ITALY AND FRANCE. THEY HAVE CONDUCTED ON A REGULAR BASIS EXERCISES WITH ITALY, WHICH IS A NATO MEMBER, AND HAVE HAD THEIR SHIPS REPAIRED IN ITALIAN SHIPYARDS.8

[5](#). (SBU) THE CROATIAN NAVY HAS A SISTER SHIP TO THE AL MUNJED ALSO IN NEED OF OVERHAUL, AND COULD REAP CONSIDERABLE COST SAVINGS BY COMPLETING THE LIBYAN REFIT FIRST.

SIMILARITY TO EARLIER CONTRACT WITH LIBYA

[6](#). (S/NF) DETAILS OF THIS \$120 MILLION CONTRACT ARE SIMILAR IN SCOPE TO A PROPOSED CONTRACT IN 2001 (REF E), ALTHOUGH SOME OF THE PROJECTS HAVE CHANGED. THE PRICE QUOTED FOR THE AL-MUNJED OVERHAUL IS THE SAME - \$7.5 MILLION. THE OVERHAUL OF EIGHT COAST GUARD SHIPS IN THE NEW CONTRACT IS QUITE SIMILAR IN SIZE AND SCOPE TO THE 2001 PROPOSAL OF \$63 MILLION TO OVERHAUL SEVEN TO NINE LA COMBATTANTE MISSILE BOATS. THE CONSTRUCTION OF FIVE NAVY PATROL BOATS IN 2001 IS NOW SUPPLANTED BY CONSTRUCTION OF SIX SHIPS FOR CUSTOMS AND THE MARITIME POLICE. THE OVERHAUL/REPAIR OF A PRESUMABLY CIVILIAN ROLL-ON/ROLL-OFF SHIP REPLACES THE CONSTRUCTION OF FOUR NEW UNITS PROPOSED IN 2001. THE OVERALL CONTRACT PRICE WAS \$138 MILLION IN 2001.

COMMENT

17. (C) IN PREVIOUS CONVERSATIONS, INGRA REPRESENTATIVES AND  
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11. (C) AS A FOLLOW ON THE PRESIDENT MESIC RAISING POTENTIAL LIBYAN SHIP REFIT CONTRACTS WITH SECRETARY RUMSFELD (REF A), PRESIDENTIAL FOREIGN POLICY ADVISOR MASTRUKO PROVIDED US ADDITIONAL DETAILS OF THE PROPOSED SCOPE OF THIS \$120 MILLION PROJECT (REF B). THE \$120 MILLION CONTRACT INCLUDES \$7.5 MILLION FOR REFIT OF THE AL-MUNJED DIVER SUPPORT SHIP AND 15 OTHER OVERHAUL OR SHIP CONSTRUCTION PROJECTS IN CROATIAN SHIPYARDS. HOWEVER, WORK ON THE OTHER PROJECTS IS CONTINGENT ON THE REFIT OF THE AL-MUNJED.

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DETAILS OF WORK ON LIBYAN SHIPS EMERGES

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PURSUE THIS NAVAL REFIT/CONSTRUCTION CONTRACT ON BEHALF OF INGRA.

18. (C) WE WILL CONTINUE TO URGE PATIENCE PER REF D INSTRUCTIONS, ESPECIALLY AS DETAILS OF THE NEW CONTRACT RAISE

QUESTIONS ABOUT OTHER ASPECTS OF THE PROPOSED WORK. HOWEVER, WE ARE CERTAIN THAT THE CROATIANS WILL BECOME INCREASINGLY ANNOYED AND SUSPICIOUS OF U.S. MOTIVES AS THE U.S. AND OTHER EUROPEAN COUNTRIES IMPROVE THEIR TIES WITH LIBYA. THE CROATIANS ARE CONVINCED THAT THE AL-MUNJED IS AN INNOCUOUS SALVAGE SHIP TO BE USED FOR OFFSHORE PETROLEUM OPERATIONS AND THAT SIGNIFICANT DELAYS WILL RESULT IN THE LIBYANS TAKING THE WORK TO ITALIAN SHIPYARDS AT A TIME WHEN CROATIAN SHIPYARDS STRUGGLE TO AVOID BANKRUPTCY.  
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